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THE WORLD ECONOMY IN 1992: AN UPDATE

Note by the Secretary-General*

Turmoil in European currency markets came to dominate the world economic scene in September 1992. The tension that had been rising from conflicting national economic objectives of the members of the Exchange Rate Mechanism (ERM) fuelled large speculative movements in the currency markets, which finally resulted in the suspension by the United Kingdom of Great Britain and Northern Ireland of its membership in ERM, the withdrawal of the lira from the Mechanism and the devaluation of the peseta. Though the French vote affirming the Maastricht Treaty helped to calm the markets, new doubts on the future of the European Economic and Monetary Union arose. Uncertainties in the world economy increased greatly.

It will be some time before the full effects of the currency turmoil on economic growth can be assessed. In the short term, it increased uncertainties at a time when confidence among investors and consumers in developed countries was exceptionally low.

World output appears to be growing by only 0.7 per cent in 1992, a somewhat slower rate than predicted in June of this year, and a considerably slower rate than projected a year earlier. This comes after world output fell by 0.5 per cent in 1991, the first global contraction in the post-war era. A recovery is expected in 1993, but it would be weaker than at the same stage of earlier recoveries in recent times. World output per head is declining for the second year in a row and is expected to increase only marginally in 1993 (see table 1). 1/

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* This note updates the assessment of the world economy contained in the World Economic Survey, 1992, (United Nations publication, Sales No. E.92.II.C.1 and corrigenda), issued in June 1992, and is based on information available as at 30 September 1992.

Table 1. Growth of world output by region, 1981-1993

(Annual percentage change in GDP)

	1981-1988	1989	1990	1991	1992	1993
World	2.9	3.3	1.7	-0.5	0.7	3.0
Developed market economies	2.8	3.4	2.5♦	0.8	1.6	3.0
United States	2.9	2.5	1.0	0.7	1.6	3.0
European Community	2.1	3.5	2.8♦	0.6	1.6	2.5
Japan	4.1	4.8	5.2	4.5	1.9	3.7
Economies in transition	3.1	2.3	-5.0♦	-16.0	-14.7	-4.0
Developing countries	3.1	3.5	3.4	3.5	4.8	5.5
Memo item						
Growth of world output per capita	1.2	1.6	-	-2.2	-1.0	1.3

Source: United Nations, Department of Economic and Social Development (country groupings here and in the annex tables are those of the World Economic Survey, 1992).

♦ Indicates discontinuity in the series: from 1991, Germany includes the eastern Länder.

The virtual stagnation of world output is the result of two major trends. First, the developed market economies, which account for 70 per cent of world output, are barely growing. In some of them the recovery from the slump of 1991 has been exceptionally slow, while, in others, the growth of last year fizzled out in 1992. Secondly, production continues to fall sharply in several of the economies in transition in eastern Europe and the former Soviet Union. In developing countries, on the other hand, growth has improved somewhat on average, though growth differs widely among countries. There has been some modest improvement in Latin America, most of the economies of South and East Asia continue to show strong growth, and China has been growing faster than in 1991. However, African economies, particularly south of the Sahara, are seeing no improvement in their already weak average growth rates and the human toll of drought and civil conflict is mounting.

The world output trend is reflected in world trade. After growing at 3.4 per cent in 1991, the slowest since 1985, the volume of world exports is expected to increase by about 4.5 per cent this year. The growth of world trade nevertheless exceeds the growth of world output by more than used to be the case. A chief reason is that some of the countries where output stagnated or declined, especially eastern Europe and the former Soviet Union, account for only a small share of world trade.

The slow growth of world demand contributed to a further fall in commodity prices in 1991 and the slow economic growth expected this year does not seem to be raising prices. Non-fuel commodity prices in the first six months of 1992 were 4.5 per cent lower compared to the same period last year, while dollar prices of fuel were unchanged (see table A.X). Meanwhile, the international prices of manufactured goods rose 1.6 per cent. All in all, the terms of trade are moving against the developing countries.

The continuing robustness of some of the economies of South and East Asia and China, a reversal of the negative flow of financial resources of developing countries that was a major feature of the 1980s and the more encouraging growth prospects in Latin America are some of the bright spots in the international economy. The problem of external debt of the developing countries appears closer to a solution even though the debt situation of many countries is still unresolved.

But the increased unemployment in the developed market economies and in the transition economies where it aggravates other social problems has become a major concern. And living standards have plummeted in countries where civil crisis has led to political and economic breakdown, most dramatically in Somalia and the former Yugoslavia.

Elusive recovery in the developed market economies

The economic performances of the major industrial countries in the first half of 1992 have converged on weak growth and slowing inflation. The very modest pace of activity has not been enough to prevent already high unemployment rates from rising further.

The convergence on slow economic growth came about as some recessionary economies moved into weak recovery, while countries that grew more strongly in 1991 slowed down (see table A.I). Canada and the United States of America have moved from economic contraction to growth, albeit weak and fragile. In the United Kingdom the recession is continuing, but output is declining at a slower rate. Elsewhere, economic growth is generally slowing this year. German growth is decelerating sharply, while Japan seems to be entering its most severe slow-down in the post-war period. In France and Italy, growth is not expected to be very different from the slow pace of the previous year. Among the smaller developed economies, Finland, Sweden and Switzerland are still in outright recession.

Stronger economic recovery is not expected until at best the beginning of 1993. Thus, the long-expected recovery has been postponed yet again. All in all, growth of the developed market economies may not exceed 2.5 to 3.0 per cent a year from 1993 to 1995.

As discussed in the World Economic Survey, 1992, the present recession and recovery have not followed the pattern of previous cycles in the post-war period. All of the major countries are simultaneously facing various medium-term problems that have exerted a drag against the usual forces of recovery. The private-sector debt overhang continues to inhibit economic activity in Canada, Japan, the United Kingdom and the United States, as well as in Australia and the Nordic countries. In some countries, a sharp decline in asset prices, particularly in real estate, weakened bank portfolios and reduced the wealth of households and their propensity to spend. Germany is adjusting to the unexpectedly large costs of reunification. Given the high degree of financial integration between some of the other European economies and Germany, German interest rates have put contractionary pressure on their economies as well. In addition, countries of the European Community (EC) - as well as the European applicants to EC membership - are under pressure to reduce their fiscal deficits and to meet the other convergence criteria for participation in the Economic and Monetary Union (EMU), which was agreed upon at Maastricht in December 1991. This also holds back economic growth in the short run.

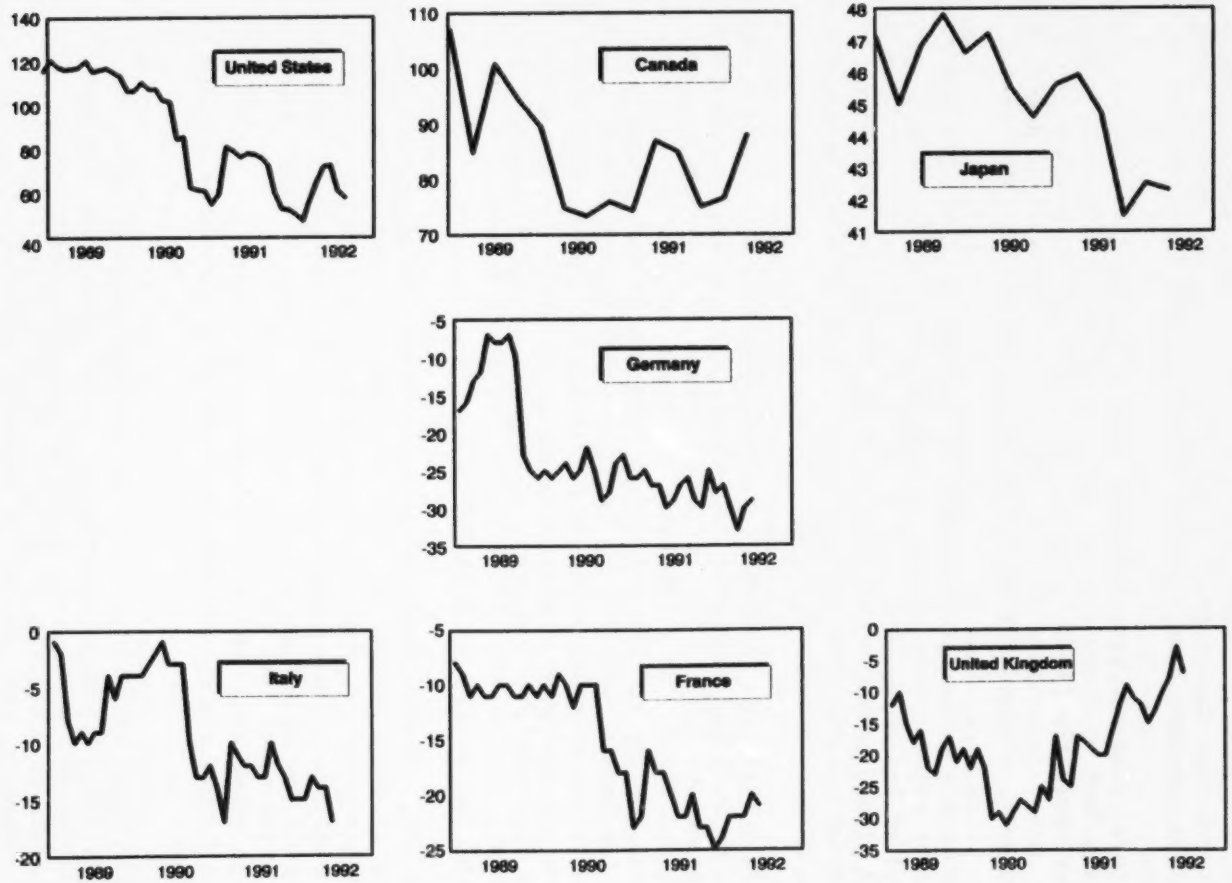
Unemployment in Canada and the United States remains above the 1991 level (see table A.IV). Unemployment in the European Community is expected to increase on average from 8.6 per cent in 1991 to 9.2 per cent this year and to rise further in 1993. In Japan, job growth has declined significantly.

Aside from the hardship that unemployment directly brings about, fear of unemployment undermines consumer and business confidence. The results can be seen in consumer confidence surveys (see figure). This deters household spending and inhibits investment.

One effect of the weak growth is that inflation continues to decelerate. For the developed market economies as a whole, consumer price inflation in 1992 and 1993 may average only about 3.5 per cent, compared to 5.2 per cent in 1990 and 4.5 per cent in 1991 (see table A.V). Consequently, monetary authorities in some countries have had more room to act. Indeed, repeated doses of monetary easing have been applied in several countries, but the economies have failed to respond adequately.

In the United States, the Federal Reserve reduced its discount rate in several stages from 7 per cent in December 1990 to 3 per cent in July 1992, the lowest level since 1963. However, even though short-term interest rates have fallen by two thirds since mid-1989, credit demand remains flat in the face of weak growth and the high level of private-sector debt. Moreover, long-term interest rates have not fallen much, reflecting deep uncertainty about the future.

Figure I. Consumer confidence in seven major economies [a]



Source: United States: The Conference Board; Canada: Conference Board of Canada; Japan: Current Consumption Survey, Economic Planning Agency; Germany, France, Italy and United Kingdom: *European Economy.*

a For Canada and United States, measure is an index (1961=100, 1982=100 respectively); for Japan, index measures average sentiment (0-100), where 50=expect no change; for others, measure shows percentage of respondents to a survey who expect an improvement minus percentage who expect a deterioration.

The failure of economic activity to respond to drops in interest rates is also evident elsewhere. In Canada, short-term rates have fallen 6 percentage points during the past two years (see table A.VI). Yet, growth remains weak. Australian rates have fallen below 6 per cent from 18 per cent in early 1990; but in mid-1992, nominal credit demand registered the first decline on record.

The central bank of Japan has been gradually easing its policy stance. On 27 July the Bank of Japan cut its official discount rate to 3.25 per cent from 3.75 per cent, the fifth cut since July 1991, when the rate stood at 6 per cent. These reductions and the small fiscal stimulus of March 1992, have not, however, stemmed the slow-down in output and expenditures.

While monetary policy in North America and Japan is being relaxed, in Europe interest rates remain unusually high despite anaemic growth. In early 1991, a level of inflation that is high by German standards - about 4 per cent a year - and strong growth in money and credit forced the Bundesbank to tighten monetary policy. The resulting high German interest rates were seen to constrain growth throughout Europe.

On 16 July 1992, the Bundesbank further increased the discount rate from 8.0 per cent to 8.75 per cent (its highest level since 1931), and reaffirmed its determination to achieve its inflation target of 2 per cent a year. As a result, Belgium, Italy, the Netherlands and Spain were forced to raise their interest rates and the British and French Governments were compelled to keep rates above the levels justified by domestic economic conditions. However, the high and rising interest rates in the rest of EC could not prevent ERM from entering the crisis zone when the French referendum on the Maastricht Treaty on 20 September fuelled new speculation. In Italy, interest rate hikes as well as heavy central bank intervention failed to prevent a 7 per cent devaluation of the lira on 13 September.

Outside ERM, the commitment of Finland, Norway and Sweden to maintain an informal link of their currencies with those of the Community has brought about the highest real interest rates in the developed market economies. These rates were maintained despite sluggish growth and rising unemployment. However, Finland was forced to let its currency float, as three consecutive interest rate increases just before the devaluation proved insufficient. Sweden, on the other hand, chose to defend the exchange rate by dramatic increases in its overnight rate, and by negotiating a drastic package of fiscal reform.

On 14 September 1992, in order to ease tensions within ERM, the Bundesbank lowered its two key official interest rates (the discount rate and the Lombard Rate) by 0.5 and 0.25 percentage points, respectively. The German move was followed by rate cuts in Austria, Belgium, the Netherlands and Switzerland. However, the size of the interest rate reductions was insufficient to solve ERM problems, as well as too small to stimulate growth throughout Europe.

As for ERM, the modest size of the German rate cut demonstrated the lack of necessary policy coordination among the members of the mechanism. It appeared clear that the conflict of objectives would not soon be resolved and that countries with weaker economies might not be able to further defend their parities at the price of continued economic stagnation. The dwindling credibility of ERM provoked a massive outflow of funds from the weaker currencies in Europe. As a result, only a few days after the German move, the British and Italian Governments were forced to suspend their ERM membership and let their currencies float, while the Spanish paseta was devalued by 5 per cent within ERM. Notwithstanding the French "yes" vote to European unification on 20 September 1992, uncertainty about further ERM realignments has intensified. Whatever the developments in the next few days or weeks, the creation of EMU is likely to proceed at a slower pace and in a somewhat different way than originally envisioned at Maastricht.

The turmoil has not brought nearer a general decline in European interest rates. The Bundesbank's concession could hardly be interpreted as the start of a clear trend towards lower interest rates. The rate cut announced by the United Kingdom on 22 September was only 1 per cent, and the Bank of France raised its repurchase rate on 23 September by 2.5 percentage points to defend the franc. Therefore, borrowing costs in Europe may remain high at least for the rest of the year.

The sharp divergences in monetary policies have provoked large changes in the exchange rates of the major currencies this year. By September the dollar had fallen to historic lows against the deutsche mark and approached an all-time low against the yen. Repeated central bank intervention in the foreign exchange markets did not give much support to the dollar.

Deteriorating economic conditions in Japan strengthened the case for significant and direct government action and on 29 August an emergency package of extra fiscal spending and tax cuts of ¥10.7 trillion (2.3 per cent of GNP) - the largest in Japanese history - was announced by the Government. This action seems to have stopped the plunge of the stock market and may impart a measure of confidence to households and enterprises. The stimulus from this fiscal boost, however, will not accelerate economic growth until next year.

In the case of the United States, a further relaxation of monetary policy might risk a resurgence of inflationary fears and a loss of confidence in the dollar. But the continuing weakness of the United States economy is also of major concern to the monetary authorities. Proposals have been made to reallocate a certain amount of fiscal expenditures towards public investment, which would generate more employment and help advance the transition to the post-cold war economy. Furthermore, given the softness in the economy despite aggressive interest rate cuts, new fiscal incentives to boost investment have been suggested, notwithstanding the already huge budget deficit, which requires consolidation over a medium-term horizon.

Fighting inflation remains the primary objective in Germany and many other countries, too. But the social costs of attempting to quickly drive down inflation from 4 per cent to 2 per cent can be very heavy.

Continued turmoil in the economies in transition

Developments in recent months in the transition economies in eastern Europe and the successor countries of the Soviet Union underline two key aspects of the transition process: (a) it comes at extremely high economic and social cost, as the old system breaks down and the population is forced to recognize that the system cannot be repaired, only replaced; and (b) a pragmatic and flexible approach to transition policy is required in a democratic society.

The fall in gross domestic product (GDP) in these economies now appears to be even more severe this year than forecast in June in the World Economic Survey, 1992. Taking the transition economies as a whole, the volume of output in 1992 is expected to be about 15 per cent lower than in 1991, compared to the June outlook of a 12 per cent drop. There is a large variation among countries. In the Commonwealth of Independent States, output is probably declining at an annual rate of 18 per cent or more, worse than the decline in the Soviet Union the year before (see table A.II). On the other hand, the rate of contraction of output is slowing in each of the eastern European transition economies.

Indicators of positive developments were strongest in the economies that have been undergoing transition the longest, namely, Czechoslovakia, Hungary and Poland. In all three countries (the "northern tier"), monthly inflation rates were reduced almost to nil by July; for the year as a whole, Czechoslovakia is expected to have an inflation rate of 11 per cent, Hungary 22 per cent and Poland 45 per cent (see table A.VII). The decline in industrial production appears to be ending in Czechoslovakia and Poland. Indeed, open unemployment fell in Czechoslovakia this spring, though only slightly. Thus, recovery of the northern tier could now be gathering strength, although the expected break-up of Czechoslovakia into two separate States at the end of the year clouds the outlook considerably.

The situation in the Russian Federation exemplifies the great hardships of the early stages of transition, due in part to monetary turmoil. Consumer prices in June 1992 were 13 times as high as a year earlier and 10 times as high as in December 1991. In the first half of 1992, average household monetary income, corrected for inflation, was one third lower than it was in the same period last year. A very large segment of the population was forced to limit expenditures to food and other necessities. Gross investment during the first six months of 1992 was about half the level of the year before. Exports fell 35 per cent and even though imports were down 24 per cent, the Russian Federation was unable to remain current on its foreign debt servicing.

Financial stabilization and the reining in of the budget deficit are major objectives of policy; in fact, the Government deficit fell from about 20 per cent of GDP in 1991 to about 5 per cent in the early months of 1992. There was also a sharp contraction in real credit availability in the first half of the year. However, recently credit was sharply increased to State enterprises, financed by Central Bank money creation, and this has contributed

to a rapid increase in the budget deficit and inflation in August and September. The provision of additional credits was considered necessary to allow time to change the economic and legal environment for business activity. The sequence and tempo of the requisite policy changes remain the subject of vigorous national debate.

The goal of policy in this area is to make State enterprises change their modus operandi. State enterprises have not responded to market signals and followed traditional command economy norms of behaviour. Faced with shrinking demand for their products and rising costs of their own inputs, enterprises generally neither lowered their relative prices nor altered their production programmes. In the absence of traditional sources of credit, they stopped paying their bills and waited for the Government to intervene. Although the mechanism for solving the "non-payment crisis" is not yet finalized, it is not expected to entail an automatic or wholesale bailout; some firms may become bankrupt, a legal status that at the present time is not yet defined.

The Government has decided to discontinue the system of centralized government supplies by the end of the year and to start privatization in earnest early in 1993. Privatization coupons, which will be exchangeable into equity shares in privatized enterprises, are to be distributed to every citizen of the Russian Federation in the last quarter of this year. These shares would account for 35 per cent of the gross value of property being privatized, the rest being apportioned among the workers and managers of an enterprise, the State and foreign investors.

Economic strength and weakness among developing countries

Output in the developing countries is increasing by about 5 per cent, which is more than 1 percentage point over the growth rate achieved in 1991. Such acceleration of growth, however, is not widespread; it is largely accounted for by China where growth is expected to improve from 7 per cent in 1991 to 10 per cent in 1992, and by the recovery in West Asia that had been marked in the past two years by devastation in Iraq and Kuwait. South and East Asia are maintaining in 1992 the comparatively high rhythm of 1991. For Africa, suffering from a severe drought, the rate of growth continues to be depressed, especially south of the Sahara (see table A.III).

Latin America and the Caribbean

The Latin American and Caribbean region is expected to grow by about 3 per cent in 1992, after a similar expansion in 1991, with Chile and Argentina, and to a lesser extent Guatemala, Panama and Venezuela, among the fastest growing economies this year. Several countries in the region continue successfully to correct the macroeconomic imbalances that arose during the previous decade, thereby laying the foundations for long-term economic growth. Fiscal deficits are being reduced, inflation is slowing, and privatization and liberalization policies are being implemented by most Governments. Brazil is the major exception, with inflation almost doubling this year and the tax reform being delayed by a political crisis.

Several heavily indebted countries in the region, the last being Brazil, have now reached agreements for debt reduction with their commercial bank creditors. In addition, although investment remains low by historical standards, improved business confidence has led to a substantial return of capital inflows, both in the form of repatriation of flight capital and new foreign direct and portfolio investment. After doubling to an estimated $34 billion in 1991, capital flows into the region have remained significant this year.

Despite the improved macroeconomic picture, the adjustment process continues to demand sacrifices from the majority of the population. In some countries, a heightened sense of social inequities is raising political tensions that could derail the reforms introduced in recent years, as these are not yet yielding sufficient economic benefits for the population at large.

Africa

The economic growth forecast for Africa this year has been revised downward to about 2.5 per cent compared to the June forecast of 3.5 per cent. The drought in southern Africa has had a disastrous effect on agricultural output in the region. Hardest hit are food crops, in particular, maize. The aggregate output of coarse grains (such as maize, sorghum and millet) in southern Africa for 1992 is forecast to fall by two thirds and 18 million people are seriously distressed by food shortages. In the central and southern provinces of Mozambique, the principal cereal crops failed almost completely; the maize crop is estimated to have declined 70 per cent in 1992 in South Africa, Swaziland and Zimbabwe and by almost 60 per cent in Malawi. Deaths from starvation have been reported from Mozambique and in Zimbabwe access to safe drinking water is at a critical level.

Output estimates for northern and eastern Africa are in general also below last year's crop. An exception is the wheat harvest in the Sudan which reached a record level. The food situation remains severe in the Horn of Africa, in particular in Somalia and among displaced persons. About 23 million people are threatened by famine in the Horn of Africa. The food situation is rapidly deteriorating in Kenya owing to unevenly distributed and inadequate rainfall, an influx of about 300,000 refugees and an estimated 30,000 internally displaced persons. In western Africa, growing conditions have been mixed, with some countries receiving reduced rainfall. In central Africa the agricultural outlook is generally considered satisfactory.

Performance in other sectors has also been influenced by the drought. Industries processing agricultural products are facing problems with the supply of inputs, such as the textile industry in Zimbabwe which is facing a shortage of cotton. Lack of water has affected manufacturing output generally, in part because hydroelectricity has become more scarce, for example, in Kenya, Namibia and Zimbabwe.

Africa's current account is expected to deteriorate owing to higher food imports and lower exports, even though export crops have not been affected as

badly as food crops. Food shortages are also putting upward pressure on inflation rates.

Donor countries and multilateral institutions are making additional funds available to buy food imports, to ease the impact on the balance of payments and government budgets, to fund relief measures and to assist the recovery from the drought. In many countries, early reaction to the drought and international relief operations are making it possible to avoid moving large numbers of people into relief camps from their farms, which will help recovery.

Asia

In West Asia, real GDP growth of 5 per cent is expected in 1992. Much of the economic growth is due to the gradual restoration of oil output in Kuwait and expansion and upgrading programmes in several countries. Construction activities also recovered in some countries and post-war reconstruction programmes in Kuwait continue. Banking and finance are recovering, but tourism remains depressed and agriculture has been affected by adverse weather conditions this year, in particular in the Islamic Republic of Iran and the Syrian Arab Republic.

The region still suffers from the aftermath of the Gulf war. In Yemen, because of the massive return of Yemenis from Saudi Arabia, remittances collapsed and there is no sign of their recovery in 1992, although GDP is rising by 5 per cent on the strength of Yemen's own oil sector. Jordan, whose economy suffered serious damage from the Gulf crisis, appears to be growing by a mere 2 per cent this year.

With real GDP growth averaging 5.6 per cent in 1992, the South and East Asian region is expanding as rapidly as it did in 1991 and remains the fastest growing area in the world. Some countries or areas, including the Republic of Korea, Taiwan Province of China, Thailand and Viet Nam, are growing by 7 per cent or more. In general, the successful exporters of manufactures managed to maintain high growth despite world recession, partly because domestic sources of growth remained strong and partly because linkages among these economies have increased. Growth slowed down in 1991 and 1992 in two of the largest economies of the region: in India, mainly because of the deflationary effects of tight monetary and fiscal policies to reduce the budget and balance-of-payments deficits, and in the Republic of Korea, in the wake of reduced government construction spending and moderation of the growth of exports. In Taiwan Province of China economic growth accelerated slightly, resulting partly from increased investments in infrastructure and increased regional trade.

Indonesia is expected to maintain the 1991 rate of growth of about 6.5 per cent, led by the manufacturing sector. The Thai economy should also achieve the same rate of growth as in 1991 (about 7.5 per cent). Earnings from tourism are expected to decline 10 per cent in 1992, and labour remittances from overseas are down by 20 per cent; but exports are estimated to rise by 15 per cent. The growth rate of 1991 is also being maintained in

other medium-sized economies in the region, including in Pakistan, partly as a result of liberalization measures, increased investment and a good agricultural year, and in Malaysia, thanks to continued strong export performance. Hong Kong's growth has accelerated to about 5.5 per cent, benefiting from the boom in southern China. In the Philippines, GDP is growing by 3 per cent, after stagnating in 1991. Business confidence improved with the peaceful transfer of political power, the commitment of the new regime to the reform measures initiated by the outgoing administration and the recent conclusion of a $4.8 billion foreign bank debt rescheduling package designed to ease payment on the country's $29 billion external debt.

Economic growth gathered momentum in China in 1992 as economic policy favouring broader and bolder reforms gained more high-level political support. Based on data for the first half of the year, economic growth in 1992 is now expected to reach 10 per cent, the fastest in the world. Inflation nevertheless remains modest, with retail prices 5 per cent higher in the first half of 1992 than in the same period last year. Investment in fixed assets increased by over 30 per cent during the same period, while industrial output grew by over 18 per cent. In agriculture, the harvest of summer crops reached 103 million metric tons, setting a new record. External trade also expanded rapidly, with exports up more than 17 per cent and imports up over 23 per cent. Renewed optimism over the Chinese economy, combined with infrastructure bottlenecks emerging in South-East Asian countries, led to a sharp increase in foreign investment.

Mediterranean

In the Mediterranean region, despite improvement in growth in Cyprus and Turkey, and continued expansion in Malta, aggregate GDP is likely to decline by about 5.5 per cent in 1992, following a drop of almost 8 per cent last year. The economic deterioration in the region is due to the collapse of the economies of what was formerly Yugoslavia. Buoyant consumer demand, improved political stability and lower interest rates raised Turkish growth to about 5 per cent, from below 1 per cent in 1991, although high inflation remains a major concern.

International finance for developing countries

The turnaround in financial flows to developing countries in 1991, which was reported in the World Economic Survey, 1992, appears to be holding up this year. One indication of the magnitude of the new inflows is that foreign official reserve holdings rose about $28 billion in the first half of 1992, after rising $64 billion the year before. Significantly, almost half the increase in 1992 was accounted for by 15 of the most heavily indebted countries. In contrast, the reserves of the countries of sub-Saharan Africa (excluding Nigeria, which is grouped among the most heavily indebted countries) did not rise at all.

The surge in financial inflows has been almost entirely from the private sector, to which the mainly low-income countries of Africa do not have significant access. The flows this year continue to be dominated at the margin by short-term capital seeking unusual returns from the high-interest environment of several countries, mainly in Latin America, especially Brazil. Most of these funds are considered highly speculative and subject to a sudden reversal of direction. But corporate and sovereign-risk borrowers from developing countries - including borrowers from countries that until recently were excluded from these markets because of their debt-servicing crises - are also increasing their ability to tap medium-term funds in international bond and banking markets.

As part of another recently emerging trend, large corporations from Argentina, Chile, India and Mexico have also raised significant amounts of equity capital on international markets this year, some of it as part of the privatization of state enterprises. Considerable international interest was also shown in foreign equity investment in China, both directly through newly permitted foreign purchases of publicly offered shares in China and indirectly through international sales of shares in mutual funds made up of equity in Chinese or regional enterprises.

These developments occur against a backdrop of slow but notable progress in reaching agreements to restructure the bank debt of heavily indebted countries in such a way as to recognize economic, social and political limits to debt-servicing capacity. If the agreement recently reached by the Government of Brazil and its bankers is implemented, a large part of all the medium-term bank debt of the developing countries will have been brought under the latest standards for debt renegotiation. This, however, pertains to the debt of only eight countries, so considerable additional work remains in this area.

Debt owed to official creditors also continues to be rescheduled on improved terms this year. However, these terms, which were introduced at the end of 1991 and can reduce eligible debt-servicing obligations by up to 50 per cent, are currently being extended only to the lowest-income countries. All other countries can only arrange to postpone debt-servicing obligations to their official creditors (other than on debt owed to multilateral agencies which cannot be rescheduled by even the poorest countries).

Official credits remain important sources of funds for many countries, especially multilateral lending. It is thus noteworthy that the turnaround in the net lending flows of the International Monetary Fund (IMF) in 1991, when disbursements to developing countries exceeded repayments for the first time since 1985, was already reversed in the first half of 1992 (see table A.IX).

One concern at IMF has been that with its membership expanded owing to the admission of the transition economies, it became imperative that the long-delayed ninth quota increase finally come into effect, which would give the Fund the ability to expand its lending significantly. In August, the United States House of Representatives approved the requisite legislation that

would allow the quota increase to be implemented, which could take place soon after the United States Senate adds its approval. 2/

This will leave two major multilateral financing arrangements still to be completed, that for the tenth replenishment of the International Development Association, the concessional lending arm of the World Bank, and for the fourth general capital increase of the Asian Development Bank. Negotiations on the size of the respective refundings are incomplete. In both cases a substantial increase in resources is necessary to meet expanded requirements for new borrowers and new uses, particularly those related to environmental investment, as well as to continue to meet the traditional demands for multilateral credit.

The multilateral agenda

As pointed out in the World Economic Survey, 1992, reactivation of world economic growth should be the primary objective of international policy at this time. To achieve this objective, it is essential to restore confidence in the financial markets, and among investors and consumers. That confidence has, however, been further shaken by the turmoil in the currency markets in September. Its restoration should be at the top of the international agenda.

Improved policy coordination among the major industrial countries is essential for the restoration of confidence. 3/ The developments in ERM in September 1992 exemplify both the difficulties and the necessity of improving policy coordination. However, the fact that policy coordination failed among a group of countries as closely knit as EC underlines the practical difficulty in coordinating national policies. Coordination requires adjustment on the part of all the partners and it is on the question of equity in the sharing of the burden of adjustment that the success of coordination hinges. When the objective is to maintain exchange rate parities, for example, countries whose currencies are appreciating are generally assumed to have less responsibility to adjust than countries whose currencies have been depreciating, even when the former are better able to adjust than the latter. Similarly, countries with persistent trade surpluses are far less often expected to adjust than countries with persistent trade deficits. A greater recognition of the need for countries with strong currencies or trade surpluses to share the burden of adjustment is essential for the success of policy coordination.

The need to share responsibilities also extends to the interrelationship between the industrial and the developing countries. Many developing countries have undertaken major reforms in economic policy in recent years, often at great human cost. Commensurate action on the part of the industrial countries has by and large been lacking. 4/

Governments in industrial countries have placed a heavy burden on monetary policy. This has so far failed to stimulate economic activity. With a great deal of unutilized capacity in most countries and a pressing need for improvement in both physical infrastructure and human resources, a

reorientation of fiscal policy towards demand stimulation and investment appears essential for a sustained improvement in growth. A credible medium-term programme of fiscal consolidation is critical for the restoration of business confidence. A programme of increased investment, financed by a one-shot increase in the fiscal deficit or reordering of expenditure, will generate income and saving and need not conflict with the objective of fiscal consolidation in the medium term.

The international atmosphere for investment and growth could be greatly improved by a quick and successful conclusion of the Uruguay Round of multilateral trade negotiations, which remains stalled mainly on the question of agricultural subsidies. The negotiations, originally scheduled for completion by the end of 1990, are now almost two years behind schedule. The large differences in the negotiating positions of EC and the United States can be reconciled only through interventions by political leadership at the highest level. This, too, has been recognized, notably in the summit meetings of the major industrial countries. Meanwhile, the impasse has created uncertainties over the future of the multilateral trading system and has tended to discourage efficient patterns of investment and growth.

Formation of trading blocs has in the meantime gathered strength. Among the major recent developments, trade negotiators for Canada, Mexico and the United States concluded talks in August on a package of proposals that will establish the North American Free Trade Agreement (NAFTA). Formal signing of the Agreement is expected by the end of this year. As pointed out in the Survey, the proliferation of trading blocs makes it all the more necessary to strengthen the rules of the game in international trade.

While the aggregate flow of resources to the developing countries has taken a dramatic turn for the better, no euphoria is warranted. Much of the recent flow consists of short-term private capital. Many countries are still in need of a substantial increase in official finance, especially of the concessional type. Eastern Europe and the countries of the former Soviet Union are in great need of external assistance for their transition to market economies. Much of this will have to be in the form of official finance. To enhance the supply of official finance, it is essential to give immediate effect to the ninth IMF quota increase, ensure an adequate tenth replenishment of the International Development Association and complete arrangements for a substantial capital increase of the Asian Development Bank. Bilateral concessional finance will continue to play a large role in the development of the poor developing countries, especially the least developed countries.

The United Nations Conference on Environment and Development has greatly expanded the international agenda of action. This has to be followed up by concrete national and international action backed by adequate financial resources.

The end of the cold war raised great hopes for a quick and substantial reduction of military expenditure. Some reduction in such expenditure has indeed taken place and there is reason for guarded optimism for greater

reduction. Yet economic slow-down has led some countries with major military establishments to protect jobs in defence industries, partly through an increase in exports of military hardware. Others have resorted to such exports to tide over acute foreign exchange shortages. Both types of action delay the switch of world resources from military to civilian use and may even add to the dangers of military conflict in some areas of the world. Conversion becomes a burden when growth is sluggish and jobs are scarce; but in growing and dynamic economies the sophisticated resources of the military-industrial complexes will be rapidly absorbed in civilian uses.

Notes

1/ The forecast for 1993 must be interpreted with caution as, under present circumstances, downward risks seem to outweigh the possibility that the growth of world output would exceed 3.0 per cent.

2/ The Communiqué of the Interim Committee of IMF, issued on 21 September 1992, states: "The Committee expressed deep concern that the proposed Third Amendment of the Articles of Agreement and the quota increases under the Ninth General Review had not yet entered into effect, despite continued progress in the number of member countries' acceptances and consents. It strongly urged the members that have not yet completed their procedures to do so promptly, thus giving the Fund sufficient liquidity to continue to provide balance of payments financing in support of strong adjustment programmes".

3/ The issue of policy coordination in general has been developed in the report of the Secretary-General entitled "Enhancing international cooperation for development: the role of the United Nations system" (E/1992/82 and Add.1).

4/ See the report of the Secretary-General on the implementation of the commitments and policies agreed upon in the Declaration on International Economic Cooperation, in particular the Revitalization of the Economic Growth and Development of the Developing Countries (A/47/397).

Annex

STATISTICAL TABLES

Table A.I. Developed market economies: rates of growth of real GDP, 1982-1992 [a]
(Annual percentage change)

	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991[b]	1992[c]
All developed market economies	0.1	2.6	4.4	3.4	2.8	3.2	4.4	3.4	2.5	♦ 0.8	1.6
Major industrial countries	–	2.8	4.6	3.5	2.8	3.3	4.5	3.4	2.5	♦ 0.8	1.6
Canada	-3.2	3.2	6.3	4.8	3.3	4.3	4.6	2.5	0.5	-1.5	1.7
France	2.6	0.7	1.3	1.9	2.5	2.3	4.4	4.2	2.2	1.2	2.0
Germany[d]	-1.1	1.8	3.1	2.1	2.2	1.4	3.5	3.9	4.7	♦ –	1.9
Italy	0.3	-0.4	4.1	2.7	2.8	3.1	4.1	3.1	2.0	1.6	1.5
Japan[d]	3.4	2.8	4.3	5.1	2.7	4.4	6.2	4.8	5.2	4.5	1.9
United Kingdom	1.4	3.8	1.7	3.7	4.0	4.6	4.2	2.3	1.0	-2.1	-0.8
United States	-2.2	3.9	6.2	3.2	2.9	3.1	3.9	2.5	1.0	-0.7	1.6
Other industrial countries	0.6	1.5	3.4	2.8	2.3	2.9	3.6	3.6	2.4	0.6	1.7
Memo item:											
Western Europe	0.7	1.5	2.6	2.5	2.8	2.7	3.9	3.4	2.7	♦ 0.4	1.5
European Community	0.6	1.4	2.5	2.4	2.8	2.8	4.0	3.5	2.8	♦ 0.6	1.6
Other	0.8	2.4	3.0	3.2	2.4	2.4	3.0	3.2	1.8	-0.4	0.9

Source: UN/DESD.

♦ Indicates discontinuity in the series: from 1991, Germany includes eastern *Länder*.

a Data for country groups are weighted averages, where weights for each year are GDP valued at 1988 prices and exchange rates.
b Partly estimated.
c Forecast.
d Real gross national product.

Table A.II. Transition economies of Europe and Asia: rates of growth of GDP, 1982-1992[a]
(Annual percentage change)

	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992[b]
Total	2.8	4.2	3.4	2.0	3.5	2.6	4.5	2.3	-5.0	♦ -16.0	-14.7
USSR	4.0	4.3	3.0	1.7	3.6	2.8	5.3	3.3	-2.1	-17.0	.
Successor States											-18.0
Eastern Europe	0.2	4.2	4.6	2.6	3.2	2.3	2.7	–	-11.9	♦ -12.6	-4.5
Bulgaria	2.3	3.4	3.4	2.7	4.2	6.1	2.6	-1.4	-11.8	-22.9	-10.5
Czechoslovakia	0.8	2.4	2.1	2.2	1.8	0.8	2.6	1.3	-4.7	-15.1	-5.3
German Democratic Republic	2.0	4.0	5.4	5.5	3.9	3.3	3.1	2.4	-25.1	.	.
Hungary	2.8	0.7	2.7	-0.3	1.5	3.8	2.7	3.8	-4.0	-10.2	-2.0
Poland	-4.8	5.6	5.6	3.6	4.2	2.0	4.4	0.2	-12.0	-9.3	-1.0
Romania	4.0	6.1	5.9	-0.1	2.4	0.8	-0.5	-5.8	-7.4	-13.0	-9.6

Sources: UN/DESD and ECE.

a Country group aggregates are averages weighted by GDP in 1988 dollars (see *World Economic Survey, 1992*, pp.181-182 for methodology).
b Forecast.

♦ Indicates discontinuity in the series.

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Table A.III. Developing countries: rates of growth of real GDP, by country group, 1982-1992
(Annual percentage change)

	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991[a]	1992[b]
All developing countries	3.5	1.8	4.1	3.5	3.8	4.0	4.4	3.5	3.4	3.5	4.8
by region:											
Latin America	-1.0	-2.6	3.8	3.6	4.2	3.0	0.7	1.1	–	2.8	2.9
Africa	3.9	1.4	0.8	5.0	1.9	0.2	2.3	3.0	3.6	2.8	2.6
West Asia	8.5	-0.6	-1.3	-3.6	-3.1	-0.8	–	3.2	2.1	0.1	5.0
South and East Asia	3.6	6.0	5.7	3.6	6.2	6.9	8.5	6.1	6.3	5.6	5.6
Mediterranean	2.6	1.0	3.7	2.8	5.5	1.1	0.8	0.3	2.0	-7.9	-5.4
China[c]	8.8	10.2	14.5	13.0	7.8	9.4	10.9	3.6	5.2	7.0	10.0
by analytical grouping:											
Capital-surplus countries	9.0	-0.8	-2.2	-4.8	-4.5	-1.8	-1.1	3.6	1.4	-0.6	4.8
Capital-importing countries	2.5	2.4	5.4	5.0	5.2	4.8	5.2	3.4	3.7	4.0	4.8
Net energy exporters	2.0	-0.1	3.2	3.5	1.0	1.7	3.5	2.9	5.4	4.5	4.1
Net energy importers[d]	1.6	2.0	4.6	3.9	6.3	5.0	4.4	3.6	2.7	3.1	3.6
Four recent surplus economies	4.5	8.5	8.9	3.8	11.0	11.7	9.6	6.2	6.9	7.3	7.0
Other[d]	1.0	0.8	3.7	3.9	5.3	3.5	3.2	2.9	1.5	1.9	2.5
Memo items:											
Sub-Saharan Africa	2.8	0.6	1.2	1.9	2.6	0.6	2.9	1.9	1.5	0.6	0.8
Fifteen heavily indebted countries	-0.4	-2.7	2.7	3.4	4.1	2.4	1.2	1.4	-0.1	1.5	1.8

Source: UN/DESD.

a Preliminary estimates.
b Forecast, based in part on Project LINK. Estimates are rounded to the nearest half percentage point.
c Net material product until 1984; data for 1981-1989 are government estimates.
d Excludes China.

Table A.IV. Developed market economies: unemployment rates, 1982-1992[a]
(Percentage of total labour force)

	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992[b]
All developed market economies	7.9	8.4	7.8	7.7	7.6	7.2	6.6	6.1	6.0	6.7	7.3
Major industrial countries	7.7	8.1	7.3	7.2	7.1	6.7	6.1	5.7	5.6	6.3	6.9
Canada	10.9	11.8	11.2	10.4	9.5	8.8	7.7	7.5	8.1	10.2	11.2
France	8.1	8.3	9.7	10.2	10.4	10.5	10.0	9.4	9.0	9.5	10.0
Germany	5.9	7.7	7.1	7.2	6.4	6.2	6.2	5.6	4.9	4.3	4.6
Italy	8.4	8.8	9.4	9.6	10.5	10.9	11.0	10.9	10.3	9.9	10.1
Japan	2.4	2.6	2.7	2.6	2.8	2.8	2.5	2.3	2.1	2.1	2.2
United Kingdom	11.3	12.4	11.7	11.2	11.2	10.3	8.5	7.1	6.8	8.9	10.5
United States	9.5	9.5	7.4	7.1	6.9	6.1	5.4	5.2	5.4	6.6	7.3
Other industrial countries	8.6	9.6	10.2	10.3	9.9	9.6	9.1	8.1	7.9	8.7	9.6
Memo item: European Community	9.2	10.1	10.5	10.6	10.6	10.3	9.7	8.8	8.3	8.6	9.2

Source: UN/DESD, based on data of OECD.

a For the 7 countries shown and 10 others, unemployment data are standardized by OECD for comparability among countries and over time, in conformity with the definitions of the International Labour Office (see OECD, *Standardized Unemployment Rates: Sources and Methods* (Paris, 1985)); national definitions and estimates are used for other countries.
b Forecast.

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Table A.V. Developed market economies: consumer price inflation, 1982-1992[a]
(Annual percentage change)

	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992[b]
All developed market economies	7.0	4.8	4.8	4.2	2.5	3.1	3.4	4.6	5.2	4.5	3.8
Major industrial countries	6.5	4.3	4.4	3.8	1.9	2.7	3.1	4.4	4.8	4.2	3.2
Canada	10.8	5.9	4.3	4.0	4.2	4.3	4.1	5.0	4.8	5.6	1.6
France	11.8	9.6	7.5	5.7	2.5	3.3	2.7	3.5	3.4	3.1	2.8
Germany	5.2	3.4	2.4	2.2	-0.1	0.2	1.3	2.8	2.7	3.5	3.9
Italy	16.5	14.6	10.9	9.2	5.8	4.7	5.1	6.3	6.4	6.4	5.5
Japan	2.7	1.8	2.3	2.0	0.6	0.1	0.7	2.3	3.1	3.3	2.4
United Kingdom	8.6	4.5	5.0	6.0	3.4	4.2	4.9	7.8	9.5	5.9	3.9
United States	6.2	3.2	4.3	3.5	1.9	3.7	4.0	4.8	5.4	4.3	3.1
Other industrial countries	10.0	8.3	7.2	6.9	8.0	5.4	5.2	6.2	7.0	6.3	6.0

Source: UN/DESD, based on IMF, *International Financial Statistics*.

a Data for country groups are weighted averages where weights for each year are consumption expenditure for the year valued at 1988 prices and exchange rates.
b Forecast.

Table A.VI. Major developed market economies: interest rates 1982-1992
(Percentage)

	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1991 2nd half	1992 1st half
Short-term interest rates[a]												
Canada	10.4	9.1	10.1	9.8	8.2	8.5	10.4	12.1	11.6	7.4	7.4	6.1
France	14.9	12.5	11.7	9.9	7.7	8.0	7.5	9.1	9.9	9.5	9.4	9 9
Germany	8.7	5.4	5.5	5.2	4.6	3.7	4.0	6.6	7.9	8.8	9.0	9 6
Italy	20.2	18.4	17.3	15.3	13.4	11.5	11.3	12.7	12.4	12.2	11.9	12 3
Japan	6.9	6.4	6.1	6.5	4.8	3.5	3.6	4.9	7.2	7.5	6.9	5 1
United Kingdom	11.4	9.1	7.6	10.8	10.7	9.7	10.3	13.9	14.7	11.7	10.7	10 2
United States	12.3	9.1	10.2	8.1	6.8	6.7	7.6	9.2	8.1	5.7	5.3	3 9
Long-term interest rates[b]												
Canada	14.3	11.8	12.8	11.0	9.5	10.0	10.2	9.9	10.9	9.8	9.5	9 1
France	15.7	13.6	12.5	10.9	8.6	9.4	9.1	8.8	10.0	9.1	8.9	8 6
Germany	9.0	7.9	7.8	6.9	5.9	5.8	6.1	7.1	8.9	8.6	8.7	8 2
Italy	20.9	18.0	15.0	13.0	10.5	9.7	10.2	10.7	11.5	10.1	9.7	10 0
Japan	8.1	7.4	6.8	6.3	4.9	4.2	4.3	5.1	7.4	6.5	6.2	5 4
United Kingdom	12.9	10.8	10.7	10.6	9.9	9.5	9.4	9.6	11.1	9.9	9.7	9 3
United States	13.0	11.1	12.5	10.6	7.7	8.4	8.9	8.5	8.6	7.9	7.6	7 3

Source: UN/DESD, based on IMF, *International Financial Statistics*, and OECD, *Economic Outlook*.

a Money market rates.
b Yield on long-term government bonds.

Table A.VII. Transition economies of Europe and Asia: inflation and real wages, 1982-1992
(Annual percentage change)

	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992
Bulgaria											
Consumer prices[a]	0.3	1.4	0.7	1.7	2.7	2.7	2.4	6.2	19.3	240.8	80.0
Real wages	2.5	-0.1	3.2	1.4	1.6	4.3	3.7	-1.2	-10.6	-36.9	6.0
Czechoslovakia											
Consumer prices[b]	4.7	1.1	0.9	1.3	0.4	0.1	0.2	1.5	9.9	57.9	11.0
Real wages	-2.3	0.7	0.8	0.3	1.1	1.9	2.1	0.8	-5.6	-25.9	1.2
German Democratic Republic											
Consumer prices[c]	–	–	–	–	-0.2	0.5	2.2	2.3	-2.5	-	-
Real wages	1.9	1.3	2.0	-4.1	3.7	4.9	0.7	0.2	..	-	-
Hungary											
Consumer prices	6.9	7.3	8.3	7.0	5.3	8.6	15.5	18.8	28.9	35.2	22.0
Real wages	-0.4	-2.3	3.6	2.6	1.9	-0.4	12.1	-4.3	-3.8	-5.0	-1.6
Poland											
Consumer prices[d]	101.5	23.0	15.8	14.4	17.3	25.5	59.0	259.5	584.7	70.3	45.0
Real wages	-24.9	1.2	0.5	3.8	2.7	-3.5	14.4	8.3	-27.3	2.0	6.4
Romania											
Consumer prices[a]	16.9	5.3	1.1	0.4	0.3	0.4	1.7	0.9	5.7	305.5	..
Real wages	-7.7	-2.2	5.5	1.5	0.7	0.2	0.9	3.1	11.6	-28.3	..
Soviet Union											
Consumer prices[c,e]	3.4	0.7	-1.3	0.8	1.9	1.9	2.3	1.9	5.3	196.0	-
Real wages	-0.6	1.1	3.8	2.2	0.9	1.8	5.9	7.3	6.6	-10.2	-
Successor States											
Consumer prices[c,e]											1 800.0
Real wages											-45.0

Sources: UN/DESD and ECE.

a Retail prices in the State sector.
b Cost of living index for workers and employees.
c Including fees and charges of various kinds (1985 weights).
d Cost of living index for workers and employees in the socialist sector.
e Including public catering; based on rounded index numbers; approved "list price" changes only for 1970-1987.

Table A.VIII. Developing countries: inflation, 1981-1991[a]
(Annual percentage change)

	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991[b]
All developing countries	29.4	27.1	44.5	58.9	78.2	33.7	50.0	113.1	295.8	476.9	74.6
by region:											
Latin America	65.5	71.5	134.6	170.6	249.2	96.7	145.4	376.0	1002.5	1746.8	226.8
Africa	16.4	12.2	16.7	18.2	11.0	13.3	13.0	19.6	22.5	18.7	62.6
West Asia	34.4	25.7	30.4	56.6	43.1	17.2	19.8	18.9	15.5	8.0	13.5
South and East Asia	10.8	5.6	5.7	6.5	7.4	5.4	7.1	11.5	9.6	6.0	8.3
Mediterranean	34.0	31.7	34.4	48.4	55.5	58.1	74.0	125.6	589.6	292.8	86.4
China	2.6	2.0	2.0	2.8	11.9	7.0	8.8	20.7	16.3	1.3	3.9
by analytical grouping:											
Capital-surplus countries	16.7	12.7	12.9	7.6	2.0	10.8	17.8	18.5	14.7	5.6	13.0
Capital-importing countries	30.5	28.3	47.3	63.6	85.1	35.7	53.0	121.4	320.6	518.6	80.6
Energy exporters	19.5	23.8	34.5	29.3	83.3	29.8	41.8	60.2	140.0	275.9	30.4
Energy importers	35.0	30.2	52.5	78.3	85.9	38.2	57.8	146.4	393.5	617.0	100.3
Recent surplus economies	17.9	6.3	3.6	3.7	2.5	2.0	3.3	5.3	5.6	7.3	8.2
Other	38.5	36.1	62.5	89.2	98.2	45.6	65.7	175.4	472.9	742.3	119.2
Memo items:											
Sub-Saharan Africa	21.6	16.6	24.0	16.9	13.2	13.3	16.3	20.2	27.1	37.8	171.7
Fifteen heavily indebted countries	60.1	64.6	120.5	155.0	221.6	89.0	134.1	339.3	947.8	1571.2	206.4

Source: UN/DESD, based on IMF, *International Financial Statistics*, and Secretariat estimates.

a Weights used are GDP in 1988 dollars.
b Preliminary estimates based on data for part of the year.

Table A.IX. Net IMF lending to developing countries, by facility, 1982-1992
(Billions of dollars)

	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992 1st half
Regular facilities	4.3	8.4	4.4	1.1	0.1	-3.8	-4.0	-3.0	-1.6	-1.2	-0.6
Repayment terms:											
3-5 years (Credit tranche)	0.5	0.8	0.2	0.6	1.3	-0.5	-0.4	-0.2	-1.7	0.2	0.4
3.5-7 yrs (SFF/EAP)[a]	2.6	5.2	2.6	0.6	-1.0	-2.7	-2.7	-2.8	-0.7	-0.8	-0.8
4-10 years (Extended Facility)	1.1	2.3	1.6	0.0	-0.2	-0.5	-0.9	0.1	0.7	-0.7	-0.2
Concessional facilities	-0.2	-0.1	-0.2	-0.3	-0.5	-0.2	-0.3	0.9	0.2	1.1	0.4
In order created:											
Subsidized Oil Facility[b]	-0.2	–	-	-	-	-	-	-	-	-	-
Trust Fund[c]	0.0	-0.1	-0.2	-0.3	-0.6	-0.7	-0.7	-0.5	-0.4	-0.1	–
SAF[d]	-	-	-	-	0.1	0.5	0.3	0.7	0.1	0.2	–
ESAF[d]	-	-	-	-	-	-	-	0.6	0.5	0.9	0.4
Additional facilities[e]	1.6	2.3	0.0	-0.5	-1.6	-0.7	-0.4	0.2	-0.8	1.2	-0.3
In order created:											
Compensatory financing[f]	1.6	2.1	0.0	-0.4	-1.4	-0.7	-0.4	0.2	-0.8	1.2	-0.3
Buffer stock[g]	0.1	0.3	–	-0.2	-0.2	-0.1	–	–	–	–	–
Oil Facility[h]	-0.2	–	-	-	-	-	-	-	-	-	-
Total	5.6	10.6	4.3	0.3	-2.0	-4.7	-4.7	-1.9	-2.3	1.0	-0.5
Memo items:											
Selected characteristic of higher conditionality lending agreements											
Number initiated during year	19	33	20	26	31	25	28	23	13	24	8
Average length (months)	14	18	14	16	22	26	25	25	19	22	22
Total amount committed	2.8	15.7	4.0	3.4	4.0	4.4	5.4	13.8	1.9	6.4	6.0

Source: Data of IMF, *International Financial Statistics* and *IMF Survey*.

a The Supplementary Financing Facility (1979-1981) and Enhanced Access Policy (1981-present) have provided resources from funds borrowed by IMF from member States, on which the Fund pays a higher interest rate than the remuneration paid to countries that have a net creditor position with the Fund. Thus, users of SFF and EAP resources have paid a higher interest rate than on drawings from ordinary resources, which are partly subsidized. However, up to a 3 percentage point subsidy was made available for IDA-eligible countries and up to half that for countries with GDP per capita above IDA limits but under the maximum for Trust Fund eligibility, in order to reduce interest on SFF drawings towards the rate on ordinary drawings. There has been no subsidy on EAP drawings.

b See Oil Facility below; a subsidy was originally available to "most seriously affected" countries as defined by the United Nations for drawings under the 1975 Facility; it was extended to all users of the 1975 Facility that were also eligible to use the Trust Fund, as resources permitted; the subsidy was 5 per cent, reducing interest to 2.7 per cent; maturity was 7 years and repayments began in 3.5 years.

c Mainly using resources from IMF gold sales, the Trust Fund lent during 1977-1981 under 1-year adjustment programmes. Eligibility was based on maximum per capita income criteria and loans had 10 year maturities, with repayments beginning in the sixth year. The interest rate was 0.5 per cent per year.

d Structural Adjustment Facility and Enhanced Structural Adjustment Facility (the first financed mainly from Trust Fund reflows and the second from loans and grants) have made loans to IDA-eligible countries with protracted balance-of-payments problems; funds are disbursed over 3 years (under Policy Framework Paper arrangements), with repayments beginning in 5.5 years and ending in 10 years; the interest rate is 0.5 per cent.

e All having final maturity of 7 years and repayments beginning in 3.5 years.

f Compensatory Financing Facility from 1963 to 1988; Compensatory and Contingency Financing Facility from August 1988.

g Helps to finance buffer stock purchases under approved international buffer stock arrangements; established June 1969.

h Two separate Oil Facilities were established with borrowed resources in 1974 and 1975; data shown here exclude subsidized arrangements for most seriously affected and other countries referred to above.

Table A.X. Indices of prices of non-fuel primary commodities exported by developing countries, 1981-1992
(1985 = 100)

		Food	Tropical beverages	Vegetable oilseeds and oils	Agricultural raw materials	Minerals and metals	Combined index: Dollar	Combined index: SDR	Prices of manufactures[a]	Real prices of commodities[b]	Memo item: crude petroleum[c]
1981		192	97	112	119	121	142	122	109	130	123
1982		131	92	90	103	105	111	102	107	104	121
1983		138	96	107	110	113	118	112	103	114	108
1984		116	110	144	111	105	114	112	100	114	102
1985		100	100	100	100	100	100	100	100	100	100
1986		110	124	62	102	95	104	90	120	87	55
1987		117	81	73	119	113	107	84	135	79	62
1988		152	82	96	129	164	135	102	144	94	49
1989		161	70	85	129	164	135	107	143	94	59
1990		151	62	74	137	149	127	95	158	80	75
1991		141	57	80	129	135	119	88	158	75	82
1992[d]		140	48	88	123	131	116	85	162	72	61
1991	I	145	61	78	139	142	124	89	166	74	64
	II	142	57	76	128	136	119	90	152	78	58
	III	138	55	80	125	132	116	88	152	76	62
	IV	140	56	85	123	130	116	85	157	74	66
1992	I	141	50	88	122	129	116	85	160	72	57
	II	138	46	89	124	132	116	84	163	71	65

Sources: UNCTAD, *Monthly Commodity Price Bulletin*, and United Nations, *Monthly Bulletin of Statistics*.

a Unit value of exports of manufactures from developed market economies in dollars. The base of the original index has been shifted to 1985.

b Dollar index of prices of non-fuel commodities deflated by unit values of manufactured exports of developed market economies.

c OPEC oil price, which is the average spot price of a basket of seven OPEC country crudes (Saharan Blend, Minas, Bonny Light, Arab Light, Dubai, T. J. Light and Isthmus).

d January-June 1992.